North Central Regional Transit District (NCRTD)

Resolution 2015-26

A Resolution Updating the December 7, 2012 Adopted Inventory/Capital Asset Policy

WHEREAS, the Board of Directors is the statutory governing body in and for the NCRTD and finds it in the best interest of the constituents of the NCRTD to establish policies to ensure the financial stability of the District; and

WHEREAS, the current Inventory/Capital Asset Policy was adopted on December 7, 2012; and

WHEREAS, the Finance Committee at their August 28, 2015 meeting reviewed draft changes to the District’s Inventory/Capital Asset Policy and have recommended consideration of those changes to the Board of Directors; and

WHEREAS, the Board, after thorough consideration and upon recommendation of the Finance Committee and staff, find that it is prudent to amend the District’s Inventory/Capital Asset Policy attached hereto.

NOW THEREFORE BE IT RESOLVED, BY THE NCRTD BOARD THAT THE ATTACHED INVENTORY/CAPITAL ASSET POLICY SHALL BE AND ARE HEREBY ADOPTED, AND ARE APPROVED AND ADOPTED THIS 4TH DAY OF SEPTEMBER 2015.

NOW THEREFORE LET IT BE FURTHER RESOLVED, THAT THE NCRTD BOARD DOES HEREBY DIRECT MANAGEMENT TO IMPLEMENT AND DEVELOP PROCEDURES TO INSURE APPROPRIATE ACCOUNTING AND MAXIMUM ACCOUNTABILITY IN ACCORDANCE WITH ALL LAWS AND REGULATION THAT PERTAIN TO THE INVENTORY/CAPITAL ASSET POLICY.

Approved as to form:

[Signature]
Daniel Barrone, Chair

[Signature]
Peter Dwyer, Counsel
1.0 **Objective:** The objective is to establish standards for the accounting for and the controlling of the fixed capital assets acquired and owned by NCRTD. To accomplish this, subsequent sections of this rule describe the procedures for the acquisition of fixed capital assets, the methods for assigning values to acquired assets (valuation), the methods of depreciating fixed capital assets whether required or optional, the establishment of internal controls on fixed capital assets, the procedures for conducting the annual inventory of fixed capital assets, and the allowable methods for the disposition of fixed capital assets.

2.0 **Coverage:**

This policy applies to all employees of the NCRTD. The NCRTD Finance Department is responsible for the implementation of this policy and procedures. All managers and supervisors are responsible for knowing, understanding and adhering to the provisions of this policy as applicable to their operations.

3.0 **Inventory Criteria for**

**Tangible Personal Property**

A. **Current and accurate inventory records shall be maintained for the following:**

1. Tangible Personal Property-$5,000 or more per item including improvements and renovations; or if donated, a fair market value at the time of donation of $5,000 per item. Tangible personal property intentionally acquired for resale or used in NCRTD activities as supplies are excluded.
2. Licensed vehicles and rolling stock regardless of cost or donated market value at the time of donation.
3. Sensitive property with an individual cost or fair market value at the time of donation of $1000 or more per item.
4. Computer components with an individual cost of $500 or more per item.
5. Leased property totaling $5,000 or more throughout the life of the lease.

B. **Tangible Personal Property Composed of Internal Parts**

1. Assets that have internal parts that are necessary to the functioning of the asset are not required to be separately inventoried, and can be considered to be all one asset (inventory record) provided all of the following apply:
a) The internal parts are acquired to place the asset into service and function is required;
b) The life and utility of the internal parts are mainly independent on that of the asset, even if the acquired dates and vendors are different for each item;
c) The cost of each part is included in the aggregate total of the inventory record;
d) The internal parts are included in the description of the inventory record.

2. Should a Department acquire and install an internal part for an asset with an acquisition cost, of at least $500, after it has been placed into service and is functioning as intended, then any subsequent internal parts are considered as separate components and are inventoried separately as a component record. The same asset identification number (ID) is to be used as the original asset, except a suffix is to be added to the ID number that is unique only to the component.

4.0 Inventory Criteria for Real Property
A. Current and accurate inventory records shall be maintained for the following.
   1. Land, regardless of cost
   2. Buildings and land improvements with an actual or estimated cost, or if donated, a market value of $5,000 or more per item.
   3. Real property intentionally acquired through a lease at an insignificant cost and solely as a legal mechanism to disburse bond monies is excluded.
   4. Improvements and renovations to an existing building with an actual or estimated cost, or if donated a market value of more than $100,000 per building component.
   5. Leased property totaling $5,000 or more throughout the life of the lease.
B. The Finance Department will keep a record of infrastructure.

5.0 Use of Property
A. Items acquired should be used for the departments business only. Additional requirement apply if items were purchased with federal grant money. Refer to the Federal Transit Administration (FTA).

6.0 Annual Physical Inventories
A. It is the NCRTD policy to complete timely physical inventories for all assets on an annual basis to ensure the accuracy and reliability of the inventory. Physical inventories should be completed in accordance with the frequency and dates prescribed by the Finance Department.

7.0 Inventory Valuation Basis
A. **FixedCapital** assets, including leased items, are entered in the inventory at the cost arrived at after deducting trade discounts and without considering any trade-ins.
B. Parts, supplies and materials are valued on the weighted average basis. Each time such items are purchased at a price different from the average price of the quantity remaining on hand, a new average cost must be computed.

8.0 Disposal of Excess/Obsolete Inventory
A. Use the most practical and cost effective method of disposal. The Requirements set forth in NMSA 1978 Chapter 13-6-1 and NCRTD Resolution 2012-25, must be followed when disposing of **fixedcapital** assets and inventory.
B. When disposing of property acquired through the use of federal funds, additional steps are required. Please refer to the Federal Transit Authority.

C. Excess computer-related equipment/software should be offered to other departments, within the NCRTD first.

D. Inter-department Transfers
   1. Managers should ensure excess items are no longer needed before transferring to another department.
   2. A fixed asset transfer form must be completed and forwarded to the Finance Department.

E. Public Auction/Public sale
   1. Items not otherwise disposed of through other means should be sold at public auction or public sale, as provided by NMSA 13-6-1.

F. On-site Disposal
   1. The on-site destruction method of disposal of property is applicable to obsolete inventory either damaged beyond repair or where it is otherwise not fiscally feasible to dispose of via any other method. In the situation where items are disposed of on site, the following steps must take place:
      a. Items should be damaged beyond repair before being disposed.
      b. An impartial individual should witness the destruction and sign appropriate documentation stating they witnessed the item was destroyed beyond repair.
      c. All documentation related to such destruction should be maintained on site for a minimum of three years.

9.0 Stolen/Missing Property
   A. All NCRTD personnel involved in or responsible for any task of maintaining NCRTD property inventories, including a physical inventory, shall notify the department supervisor of any tangible property shown on the current active property report, but cannot be found and/or is suspected of being stolen.

   B. A reasonable amount of effort should be made by the department supervisor to determine the whereabouts of the missing items or the reason(s) for their disappearance prior to taking further action.

   C. The notified department supervisor shall review the reported inventory exceptions and, if necessary, will contact the local police requesting an investigation/report. As a guide, the local police should be contacted if the total dollar value of the missing property is in excess of $300. This dollar amount is being provided as a guide only, if the department supervisor feels there is a need to contact the local police; they may do so regardless of the dollar value of the missing items; or the notice a repeated behavior or pattern of missing items.

10.040.0 Capitalization of Fixed-Capital Assets

   A. The capitalized cost of a capital asset should include all taxes, fees, permit cost, shipping, and installation. Donated assets will be recognized at Fair Market Value at time of acquisition.
B. Repair and replacement type activities should not be recognized as capital assets unless removal of asset value is possible and reflects a significant increase in the useful life of the resulting asset from the initial asset effected.

C. In accordance with Governmental Accounting Standards Board Statement 51 (GASB 51), the District will recognize intangible assets as clarified. Computer software is considered an intangible asset since it represents competitive advantages developed or acquired by an organization. Computer software is considered an intangible asset since it represents competitive advantages developed or acquired by an organization. Therefore, computer software does not meet the NCRTD’s capitalization of fixed asset criteria.

D. Modular furniture (parts requiring assembly with other parts) does not meet the NCRTD’s capitalization of capital fixed assets criteria; only individual fixed assets (quantities of one that exceed $5,000) are reflected in the official financial statements of the District. Every effort will be made to recognize assets individually to reflect accurate useful lives and depreciation.

11.0 Federal Common Rule Authority and the NCRTD’s Capital Fixed Asset Accounting Policies

A. Departments are responsible for adhering to these policies. They are applicable when NCRTD property meets the criteria of a capital fixed asset as established and defined by the Finance Department.

B. Each department is responsible for adhering to the Federal Common Rule Section 32 and FTA, related to equipment obtained through Federal Grants and FTA.

Training:

There is no training mandated for the implementation of this policy or the statutes identified as the authority for this function.

Definitions:

Equipment: Rolling stock, office equipment, computers, cameras, garage equipment, tools or any other item used to conduct NCRTD business.

1. “Betterment” means a replacement or major renovation of an existing asset or unit of an existing asset by an improved or superior asset or unit, the effect of which is to improve the efficiency of the primary asset or lengthen the remaining service life.

2. “Component” means a separately identifiable part of an asset that is more meaningfully defined as an aggregate assembly.

3. “Depreciation” means the method applied to allocating the cost of a fixed asset over the duration of its useful life.

4. “Fixed Asset” means any property or equipment that has an initial value to NCRTD, whether in cash or trade value, of more than five thousand
dollars ($5,000). It is not acquired for subsequent sale or consumption but for utilization in the course of a department’s normal operations in producing and distributing goods or rendered services. The asset is expected to be used or held beyond the fiscal year in which it was acquired with being consumed by its use. **FixedCapital** assets include those assets constructed by department personnel. This $5,000 threshold for capitalization is a minimum and does not preclude departments from controlling assets of lesser value through their **fixedcapital** systems when such control is desirable or appropriate.

5. **FixedCapital** Asset Coordinator” means an individual within a department or a section of a department who is responsible for controlling and accounting for the **fixedcapital** assets in the custody and use of the department or section.

6. “General **fixedcapital** assets” means those assets acquired by governmental funds, and not accounted for directly in the real accounts of such funds.

7. “General **fixedcapital** asset account group” means those accounts used to record and track **fixedcapital** assets acquired by “governmental funds.” These “funds” include the Gross Receipts Tax fund, the Federal grants fund, and the capital project fund. Assets are recorded in these accounts, along with any betterments, impairments or depreciation. Assets are carried in this account group to recognize that they are not a component of fund balance available for appropriation.

8. “Object code” means the expenditure accounting code that indicates the category of benefits for which money was spent.

9. “Physical inventory” means the process of verifying that **fixedcapital** assets owned by NCRTD, are present in their assigned custody and location, and evaluating their condition.

10. “Proprietary funds” means those funds used to account for the provision of services by a government entity to other government entities or to the public. The financial objective of such funds is to recover through user charges to full cost (including depreciation) of operations.

11. “Tag” means any label or marking that is permanently affixed to a **fixedcapital** asset, including indelible ink or dyes, numbers physically stamped into the **fixedcapital** asset, adhesive labels or barcodes, and metal tags.

**Inventory Label**: A self-adhesive tag or comparable electronic medium device used to safeguard and identify inventoried tangible personal property with a department unique serialized asset ID number by affixing it to an asset.

**Lease FixedCapital Assets**: A lease is an agreement between two parties in which the NCRTD makes periodic payments to another party for the right to use the property for a stated period of time. The item is considered a ‘capital lease’ and should be included in the **fixedcapital** asset system if the lease meets at least one of the four criteria listed below:

1. Lease transfers ownership to the NCRTD during or at the end of the lease term.
2. Lease contains a bargain purchase option which is a provision to buy the property at a very favorable price.
3. Lease term is equal to or greater than 75% of the estimated economic life of the leased property. (Not applicable if the beginning of the lease term falls
within the last 25% of the total estimated economic life of the leased property.

4. Present value of the minimum lease payment equals or exceeds 90% of the fair market value of the leased property. Minimum lease payments generally equal the property rental payments excluding executor costs such as maintenance and insurance.

**Licensed Vehicles:** all NCRTD vehicles, including renovations and improvements, having a useful life of more than one year, including trailers whether self-propelled or not, that are capable of being licensed through the Motor Vehicle Division, and can be used for over-the-road transportation.

**Obsolete Items:** Equipment or supplies that are worn out or no longer needed because they are outdated and can no longer be used anywhere within NCRTD.

**Property:** assets that are owned, subject to ownership, or in effect are owned by the NCRTD. Assets subject to ownership or in effect are owned by the NCRTD would include items being acquired by lease purchase, where the lease purchase contract transfers ownership of property to the NCRTD during or at the end of the lease term. Additionally, assets that are acquired by a capital lease are included where the lease meets one of the four criteria used for determining if a lease is a capital lease.

**Real Property:** Land and whatever is erected or affixed to land, excluding infrastructure. Major classifications of real property are land, land improvements and buildings. Land improvements include, but are not limited to landscape, sidewalks, parking lots, shelters, storm sewers, towers, storage tanks, etc. Buildings include, but are not limited to, improvements and renovations.

**Sensitive Property:** Tangible personal property that is highly popular and vulnerable to theft. This includes, but is not limited to, internal components. See Appendix 1.

**Supplies:** Items consumed or expended when used in the operation of NCRTD activities, or acquired for resale, or have a useful life of less than one year.

**Tangible Personal Property:** all property that has a real existence (physical) and a useful life of one year or more, excluding real property and intangible personal property, such as software and copyrights. Tangible personal property includes, but is not limited to, equipment, machinery, tools, furniture, office furniture and non-licensed vehicles including renovations and improvements. Tangible personal property is considered real property (building fixtures) when permanently attached and made part of a building in such a way that removal alters the intended use of the facility or site. Thus, it becomes subject to the real property inventory reporting threshold.
APPENDIX 1

North Central Regional Transit District Sensitivity List

Each Department is required to inventory the sensitive property included on this list. The list should not be considered as all inclusive, but is intended to be used as a guide. There may be other items in the general classifications not listed which are subject to the $100 sensitivity threshold.

AUDIO VISUAL EQUIPMENT (example: televisions, VCRs, overhead projector/camcorder, cameras)

COMMUNICATION EQUIPMENT (example: mobile radio/walkie-talkie/scanners, cellular phones)

GARAGE TOOLS (example: photo volt meters, battery chargers/testers, jack (10-12 ton), Pellet, show shovel plows, trash cans, air compressors, tire balancer, tool boxes, dolly, step ladders, pressure washers)

HAND TOOLS (example: drills, sanders, grinders, circular saws, chain saws, small electronic hand tools, etc.)

MISCELLANEOUS OFFICE EQUIPMENT (example: microwaves, refrigerators, air conditioners, dishwashers, small household appliances, etc.)

OFFICE EQUIPMENT (example: calculators, electric staplers, digital telephones, electronic binder machines, laminators, etc.)

OFFICE MACHINES (example: computers, printers-computer connected/pC related, facsimile machines)
Fixed Capital Asset Inventory Procedures and Guidelines

I. Inventory records for licensed vehicles should be maintained via the Finance Department.

II. All tangible personal property required to be inventoried by this policy shall each be affixed with at least one inventory label, except where the following items or conditions apply:
   a. Licensed/owned vehicles;
   b. Internal components of an original asset;
   c. Items not having an appropriate outside surface area or other physical configuration to allow placement of an inventory label;
   d. Assets subject to environmental conditions not allowing the inventory label to remain affixed to the items throughout their useful life;
   e. Modular furniture that requires attachment to other modular furniture in order to perform its intended function;
   f. Antiques and/or museum items

III. Inventory numbers, once assigned, shall not be transferred from one asset to another or altered in any way.

IV. In order to facilitate the property identification and physical inventories the following apply to inventory labels and/or security labels: (See GUIDELINES FOR THE PLACEMENT OF INVENTORY LABELS)

V. Inventory Record Activity
   a. Transactions related to fixed capital assets and supply inventories shall be recorded on the appropriate inventory form and inventory system.
   b. Physical inventories shall be completed and signed by inventory form upon the completion of the physical inventory for the respective inventory types. All forms shall be signed by the department Manager & Supervisor and submitted to the Finance Department.
   c. The physical inventory does not relieve staff members of the responsibility for making intermittent checks to determine correctness of the inventory.
   d. Maintenance items (signage schedule holders and material related to maintaining bus shelters) need to be maintained regardless of cost. Garage inventory items are defined by the Finance Department.

VI. Suggested Procedures for the Various Methods of Disposal
The NCRTD Disposal form will be completed, the appropriate method indicated, and the inventory ID label attached (if available) and submitted to the Finance Department.
Guidelines for the Placement of Inventory Labels

Labels should be uniformly located on similar types of property. Recommended placement is
prescribed below:

a. Inventory labels should be easily visible with moving the asset;

b. Inventory labels should not impede regular use of the asset;

c. Place inventory labels on the permanent part of the asset;

d. Whenever possible, do not place inventory labels on the bottom, back, or inside
drawers of an asset;

e. In executive areas, or areas with furniture. do not deface the décor, or exterior
facades;

f. An alternate method of etching, stenciling or painting the inventory number
onto the asset can be used instead of an inventory label when a department
chooses not affix an inventory label due to items noted in section IV of these
procedures;

g. Weather proof paint or weather proof paint markers must be used if painting the
inventory number onto the asset.

Examples of placement on Assets:

1. Desks, credenzas – affix where easily accessible, on the front, inside, right side of the
   item.

2. Table, chairs, stools, sofas, etc. – affix where easily accessible, placed vertically on the
   front, right leg.

3. Files, cabinets, lockers, racks, bookcases, etc. – affix on the right side, the front, top
   left corner of the item.

4. Office equipment/machines, computer/accessories and audio/visual equipment – affix
to a clean, flat surface, on the front right top corner.

5. Power tools, machinery – affix or etch on a place which is easily accessible on clean
   flat surface.

6. Small had tools – affix or etch onto a clean, flat surface, on a place which is easily
   accessible.

7. Rolling stock- Label will be affixed on the inside seam of the driver door jam, near
   VIN number plate.